Retail’s invisible headwind: The interest that steals the sale

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Retailers spend enormous resources trying to bring shoppers in the door or to their website. Yet every day, an invisible headwind pushes their customers back out: **the cost of yesterday’s credit card swipe.**

Most people don’t think of interest and fees as competing with retail, but it quietly **siphons billions of dollars away** from future spending.

According to the Consumer Financial Protection Bureau, U.S. consumers paid over $105 billion in credit-card interest in 2022, plus more than $25 billion in fees. That’s roughly **$130 billion** diverted away from current consumption and into servicing past purchases — or about $1,000 per US household. And the burden is rising: one estimate puts total interest and fees paid in 2024 at more than **$254 billion** — enough to rank as a top-three US retailer.

Put simply: these are dollars that may not make their way back to retailers, contribute little to supporting new products, or do little to strengthen household budgets. Instead, they are largely absorbed by the mechanics of **revolving debt**.

Most of the conversation about credit cards focuses on rewards programs like points, miles, and cash back. Retailers know better than anyone how valuable a good incentive can be. But the truth is that rewards are funded by the same consumers they’re meant to delight. They’re paid for through monetizing consumers who don’t pay their balance in full. When more households carry credit-card debt from month to month, more of their discretionary income is **captured by interest rather than spent on things they want and need**.

That lost interest isn’t abstract, **it’s spending power families never bring to the checkout button**. And this isn’t about driving overconsumption; it’s about helping consumers make more of their budgets. In an environment where ‘affordability’ is making headlines every day, this may be more important than ever.

Retailers spend billions each year attracting customers, designing experiences, and improving their offering. Yet an outside structural force pulls spending power directly out of consumers’ wallets. It’s not that people want to carry a balance; it’s that **the system is designed in a way that makes the true impact of that decision easy to miss.**

When the price of a purchase becomes a moving target, life’s meaningful moments turn into long, expensive tail payments instead of the holiday gifts, new shoes, or home upgrades families might prefer to buy.

The effect shows up quickly. The more households incur more credit-card interest, many will **cut back on discretionary categories first** — the very segments that drive much of retail. When retailers are fighting for growth in competitive retail markets, even small drops in consumer spending power have a significant impact.

What’s worse is that revolving interest is sticky. Once consumers fall into it, it becomes a **recurring monthly expense** that constrains their budgets long after the original purchase. And it grows fastest in times of economic stress, just when retailers are already fighting headwinds.

There’s a better way forward.

Transparent, structured, non-compounding payment options like Affirm don’t just help people manage a purchase but **protect their future spending power**. When shoppers know exactly what they’ll owe and when they’ll be done, it restores control and creates confidence. And confidence is what keeps customers coming back.

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